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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In re patent application of:

) Date: May 17, 2006

Frederick W. Ryan, Jr. et. al.

) Attorney Docket No.: E-962

Serial No.: 09/938,158

) Customer No.: 00919

Filed: August 23, 2001

) Group Art Unit: 3627

Confirmation No.: 1250

) Examiner: Andrew J. Rudy

Title: SECURE TAX METER AND CERTIFIED SERVICE PROVIDER CENTER FOR COLLECTING  
SALES AND/OR USE TAXES ON SALES THAT ARE MADE VIA THE INTERNET AND/OR  
CATALOG

**TRANSMITTAL OF APPEAL BRIEF (PATENT APPLICATION 37 CFR 1.192)**

Mail Stop Appeal Brief-Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

Transmitted herewith is the **APPEAL BRIEF** in the above-identified patent application with respect to the Notice of Appeal filed on January 4, 2006.

Pursuant to 37 CFR 41.20(b)(2), the fee for filing the Appeal Brief is \$500.00

Please charge Deposit Account No. **16-1885** in the amount of \$500.00 to cover the above fees.

The Commissioner is hereby authorized to charge any additional fees which may be required to Deposit Account No. **16-1885**.

A duplicate copy of this transmittal is enclosed for use in charging the Deposit Account.

Respectfully submitted,

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**CERTIFICATE OF MAILING**

I hereby certify that this correspondence is being deposited with the United States Postal Service with sufficient postage as first class mail in an envelope addressed to:

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Amy Harvey  
Name of Person Certifying

Application No. 09/938,158  
Appeal Brief: May 17, 2006  
Attorney Docket: E-962



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In re patent application of: ) Attorney Docket No.: E-962

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Serial No.: 09/938,158 ) Examiner: Andrew J. Rudy

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Confirmation No.: 1250 ) Customer No.: 00919

Title: **SECURE TAX METER AND CERTIFIED SERVICE PROVIDER  
CENTER FOR COLLECTING SALES AND/OR USE TAXES ON  
SALES THAT ARE MADE VIA THE INTERNET AND/OR CATALOG**

**CORRECTED APPELLANT'S BRIEF**

Mail Stop Appeal Brief-Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

This brief is in furtherance of the Notice of Appeal filed in this case on January 4,  
2006, and the May 5, 2006, Notification of Non-Compliant Appeal brief ( 37 CFR 41.37).

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**I. REAL PARTY IN INTEREST**

Pitney Bowes Inc. is the real party in interest by way of assignment from the Appellant.

**II. RELATED APPEALS AND INTERFERENCES**

A. U.S. Patent Application Serial No.: 09/634,041 entitled "A METHOD FOR OBTAINING SECURE RECEIPTS SALES AND/OR USE TAXES ON SALES THAT ARE MADE VIA THE INTERNET AND/OR CATALOG" was decided by the Board of Appeals on June 10, 2005.

B. U.S. Patent Application Serial No.: 09/634,040 entitled "A METHOD FOR OBTAINING SECURE RECEIPTS FOR SALES AND/OR USE TAXES THAT ARE MADE VIA THE INTERNET AND/OR CATALOG" is currently being appealed to the Board of Appeals.

**III. STATUS OF CLAIMS**

A) Claims 1 – 44 and 47-64 are in the application.

B) Claims 1-35, 42, 44 and 49 are withdrawn.

C) Claims 36 – 41 43, 45 -48 and 50-61 are rejected.

D) Claims 45 and 46 are cancelled.

E) Claims 36 – 41 43, 47 -48 and 50-61 are on appeal.

**IV. STATUS OF AMENDMENTS**

An Amendment subsequent to the October 7, 2005, Final Rejection was filed on December 2, 2005. The Amendment was not entered.

## **V. SUMMARY OF CLAIMED SUBJECT MATTER**

### **A. Background**

**The prior art does not provide for a method that allowed taxing jurisdictions to access seller information that was segmented by an agent for that jurisdiction with a unique identifier wherein the identity of the seller remains secret.**

Currently in the United States, some cities, states, counties, districts, and boroughs collect sales and/or uses taxes on commercial transactions that take place in their jurisdictions. In fact, there are approximately 6,000 jurisdictions in the United States collecting sales and/or use taxes. The sales and/or use taxes are at many different rates and apply to different types of goods and/or services. For instance, the sales tax on clothing may be exempt from taxation in one jurisdiction and subject to taxation in another jurisdiction at a rate of 6% for all clothing sales over \$100.00. The sales tax may also be based upon the amount of the substance that is contained in the product, i.e., juices having different amounts of concentrates are taxed at different rates in some jurisdictions. Some entities, like charities, Indian tribes, etc., may be subject to taxation in one jurisdiction and not in another.

Generally, a jurisdiction has the right or power to tax a commercial transaction if the commercial transaction takes place within the taxing jurisdiction, i.e., goods subject to a sales tax are sold by a store that is physically located within the taxing jurisdiction. Goods subject to a use tax are goods that are used, consumed or stored in the taxing jurisdiction. The taxing jurisdictions usually have no difficulty collecting sales taxes on sales in their taxing jurisdiction made by merchants physically located in the taxing jurisdiction. A buyer is responsible for the payment of the tax if the seller does not collect the tax. However, the taxing jurisdictions usually find it difficult to collect taxes on the sale and/or use of goods and/or services that are made in a different jurisdiction and delivered and/or performed in the taxing jurisdiction. There has been a tremendous

increase in the number of commercial transactions that are or may be subject to a sales and/or use tax that are taking place over the Internet or from catalogs. The taxing jurisdictions are having difficulty collecting sales and/or use taxes that are made via the Internet and catalogs.

Currently, sellers of goods and/or services have difficulty complying with the sales and/or use tax, government-mandated seller administrative functions. Sales tax administrative functions include determination and calculation of the amount of tax due, collection of the tax, remittance of the tax, and filing reports of the tax to the appropriate governmental agency. The seller of the goods/and or services also has to maintain adequate records since the government may audit the seller.

In some existing tax collection systems, a representative of a taxing jurisdiction must physically visit a seller in order to audit the seller. As a result, the seller, to some degree, can control the amount of information and content of information to which any given taxing jurisdiction has access. For example, a seller may not show the taxing jurisdiction all of the relevant information, or the taxing jurisdiction may view information that it is not entitled to view.

In other existing tax collection systems, an agent provides an online service that performs the sales tax administration functions of a seller, thereby relieving the seller of a portion of the tax compliance burden. However, some sellers are uneasy about relying upon an agent as an integral part of their sales tax transaction processing and providing the agent with a significant amount of transaction detail, e.g., customer addresses. Sellers would prefer to control all aspects of their transaction processing, including tax compliance. Taxing jurisdictions are concerned that sellers might modify their tax compliance systems and defraud the taxing jurisdictions. Therefore, the taxing jurisdictions would prefer that a trusted third party (which the States could more easily audit) be responsible for tax calculation and collection.

## **B. APPELLANT'S CLAIMED INVENTION**

**Appellant claims a method that allows taxing jurisdictions to access seller information that was segmented by an agent for that jurisdiction with a unique identifier wherein the identity of the seller remains secret.**

This invention overcomes the disadvantages of the prior art by providing a system and method that removes sellers' objections to some existing system by enabling sellers to control all aspects of their transaction and customer data, while still providing taxing jurisdictions with the assurance that sales and use taxes are being properly accounted for and calculated. This is accomplished by placing the tax calculation and accounting functions at the seller's site, executed by a secure tax meter, i.e., a tamper-resistant computing environment.

The secure tax meter also achieves the taxing jurisdictions' goals of increased assurance of correct tax calculation, increased retailer compliance, and decreased taxing jurisdiction audit burden. The placing of a secure tax meter at a seller's site effectively extends the agent data center operation to the seller's site, providing the same benefits to the taxing jurisdictions as existing data center agent systems do.

The secure tax meter calculates the tax rate for each transaction, securely maintains a record of all transactions, securely maintains an aggregate of all transactions for each tax jurisdiction, enables the taxing jurisdictions to remotely audit detailed transaction records, provides the taxing jurisdictions a mechanism to update tax rate tables, and enables a trusted third party agent to perform the sales tax administrative functions of a seller, relieving the seller of as much as possible of the burden of compliance.

The secure tax meter may also be used to detect improper or fraudulent behavior by the seller. For instance, the secure tax meter may be used to detect partial reporting of taxes to the taxing jurisdiction for seller's sales and/or the failure to report seller's sales to the taxing jurisdiction. The secure tax meter also may be able to obtain

evidence of improper seller conduct in the reporting and/or collecting of sales and/or use taxes.

Claim 36 is the only independent claim in this patent application. Claim 36 relates to a method that utilizes a computer for collecting sales and/or uses taxes on remote sales. Claim 1 includes the following steps:

- a) collecting by an agent seller's information (12) regarding remote sales made by buyers (11);
  - b) calculating the correct taxing jurisdiction's aggregate total sales and/or use tax to be paid by buyers to sellers for remote sales transactions;
  - c) collecting by sellers (12) from buyers (11) the correct sales and/or use tax;
  - d) collecting by an agent (13, 14) the correct sales and/or use tax received by sellers;
- and
- e) accessing seller information (12) for a taxing jurisdiction (17a, 17b, 17n) segmented by the agent for that jurisdiction with a unique identifier wherein the identity of the seller remains secret; and
  - (f) paying by an agent each taxing jurisdiction (17a, 17b, 17n) the taxes that are due.

Appellant's claimed invention including steps A-F is shown in Figs. 1 and 2, and described in line 2 of page 6 to line 9 of page 11 of Appellants' Patent Application. A copy of Fig. 1 appears next to this page.

Referring now to the drawings in detail, and more particularly to Fig. 1, the reference character 11 represents a plurality of buyers who purchase goods and/or services from a plurality of sellers 12. The remote sale may be via the Internet and/or catalog, etc. The information exchanged between buyer 11 and seller 12, and seller 12 and buyer 11, may be the particulars of the sales order and/or service; the location of the buyer; the cost of the sales order and/or service, including any sales or use tax that may be due; confirmation of the order by buyer 11, and acceptance of the order by seller 12. It will be obvious to one skilled in the art that buyer 11 and seller 12 may transmit other information, i.e., more specific location information, buyer exemption information, buyer unique identifier, buyer identification number, etc. Seller 12 may



transmit the location of buyer 11, the items and/or services to be purchased by buyer 11, the classification of the items and/or services to be purchased by buyer 11, and the cost of the items and/or services purchased by buyer 11 to secure tax meter 13 ("meter 13").

Each seller 12 will have meter 13 located at their site. The seller's site may be a physical site or be hosted by an Internet service provider or an e-commerce service provider such as an Internet mall. Seller 12 receives from meter 13 the amount of taxes due on the sale. Meter 13 has been certified by the taxing jurisdictions and must comply with the taxing jurisdiction's rules and regulations to maintain its certification. Meter 13 maintains a log of all sales and/or use tax transactions. Meter 13 transmits the aggregate tax records, i.e., a log of the total sales and/or use tax due each jurisdiction to certified service provider (CSP) 14. CSP 14 transmits updates of sales and use tax tables to meter 13. Meter 13 calculates and logs the tax and transmits the amount of taxes that are due to seller 12. Meter 13 also verifies the integrity of its tax tables and digitally signs all tax transactions. The tax calculation performed by meter 13 may be executed by the sales tax software sold by Taxware International, Inc. of 27 Congress Street, Salem, MA 01970, or the sales tax software sold by Vertex, Inc., of 1041 Old Cassat Road, Berwyn, Pennsylvania 19312, or other similar software and/or system. CSP 14 has been certified by the taxing jurisdictions and must comply with the taxing jurisdiction's rules and regulations to maintain its certification.

Periodically, seller 12 will transmit the monies it receives from buyer 11 to seller bank 15. Bank 15 will periodically send the taxes that are due to CSP 14. Meter 13 contacts CSP 14 and will provide encrypted audit data to each taxing jurisdiction 17a, 17b,...17n upon a request from CSP 14. CSP 14 downloads updated sales and use tax tables to meter 13, verifies correct operation of meter 13 and retrieves aggregate tax data from meter 13.

CSP 14 will set up tax record databases 16a, 16b,...16n for each seller 12 in each taxing jurisdiction 17a, 17b,...17n. CSP 14 will aggregate the payments that are due to taxing jurisdictions 17a, 17b,...17n; prepare documentation (tax returns) for taxing jurisdictions 17a, 17b,...17n; submit documentation to taxing jurisdictions 17a, 17b,...17n; submit tax revenues to jurisdictions 17a, 17b,...17n; and, support taxing

jurisdictions 17a, 17b,...17n when they audit buyer 11. CSP 14 can restrict taxing jurisdictions' 17a, 17b,...17n access to data while still enabling complete disclosure of information in the support of tax audits. This is accomplished by separating the data received from meter 13 into several separate seller tax record databases 16a, 16b,...16n and restricting access to those seller tax record databases 16a, 16b,...16n. Separate seller tax record databases 16a, 16b,...16n exist for each taxing jurisdictions 17a, 17b,...17n.

Taxing jurisdictions 17a, 17b,...17n will receive an aggregate total of all taxes due for all the transactions for which taxes are due the taxing jurisdictions, all transactions in which taxes would normally be due the taxing jurisdictions but for which an exemption has been claimed, all tax returns generated and filed by CSP 14 with taxing jurisdictions 17a, 17b,...17n; and, a log of all financial transactions with taxing jurisdictions 17a, 17b,...17n. Taxing jurisdictions 17a, 17b,...17n are restricted from viewing each other's databases. In addition, sellers stored in seller tax record databases 16a, 16b,...16n may be stored with an alias (e.g., a seller ID number) which is not normally exposed to taxing jurisdictions 17a, 17b,...17n. Taxing jurisdictions 17a, 17b,...17n could audit seller tax record databases 16a, 16b,...16n and tax return information based upon seller ID number. A seller's identity would be disclosed to a taxing jurisdiction 17a, 17b,...17n only if there were sufficient suspicion of fraud based upon audit data. The foregoing audits also may be done for buyers 11.

A seller 12 may view the contents of his/her seller tax record databases 16a, 16b,...16n. A seller tax record database 16a, 16b,...16n contains an aggregate record of transactions the seller has conducted, a record of all tax returns filed by CSP 14 on behalf of the seller 12, a record of all financial transactions with the seller 12, and a record of audits performed by taxing jurisdictions 17a, 17b,...17n. Seller tax record database 16a, 16b, ...16n may also contain a record of all transactions the seller has conducted.

CSP 14 is an agent certified by taxing jurisdictions 17a, 17b,...17n. CSP 14 determines the total amount of taxes due to each taxing jurisdiction; pays the taxes to taxing jurisdictions 17a, 17b,...17n; and files tax returns with taxing jurisdictions 17a, 17b,...17n on behalf of sellers 12. CSP 14 also allows taxing

jurisdictions 17a, 17b,...17n to audit sellers 12. CSP 14 may be an automated computer system which performs data processing and financial transactions.

Fig. 2 is a drawing of a secure tax meter 13 ("Meter 13"). Meter 13 comprises a host computer 20 that is coupled to a secure coprocessor 21 containing a non-volatile memory 22; a secure tax information database; and a secure tax database 24. Computer 20 functions as a communication interface between databases 23 and 24 secure coprocessor 21, and other seller systems. Secure coprocessor 21 preferably is responsible for the security and accuracy of tax calculation and accounting. Secure coprocessor 21 is a tamper-resistant module, i.e., the IBM 4758 Cryptocard, in order to ensure that the seller is not able to tamper with the tax calculation and accounting functions. Secure coprocessor 21 contains non-volatile memory (NVM) 22 that is used to store security parameters, configuration data and aggregate tax totals. The security parameters include such items as secure coprocessor serial number, expiration date of the secure coprocessor, cryptographic keys, etc. The configuration data includes such items as tax jurisdiction liability, seller unique identifier, seller identification number, frequency of contact with CSP, etc. Aggregate tax totals are maintained in secure coprocessor 21 for each taxing jurisdiction. Each aggregate total represents all the taxes due to all the tax jurisdictions within a particular state. These totals are maintained within secure coprocessor 21 to protect them from unauthorized modification. The total tax collected for each jurisdiction may be maintained optionally in secure coprocessor 21; however, this data may also be extracted from the tax data database 24.

The tax information database 23 contains information necessary to calculate taxes due on a sale. Tax information database 23 contains item classifications, tax rates, tax-exempt information, tax regulations, etc. Tax information database 23 must be protected against modification to ensure that a seller does not change tax rates, exemption information, tax rules and the like. This protection is accomplished by having CSP 14 (Fig. 1) digitally sign or otherwise cryptographically protect the database (for example, using the Digital Signature Algorithm (DSA) described in FIPS PUB 186, dated January 15, 1977, and published by the United States Department Of Commerce, National Bureau of Standards, herein incorporated by reference).

The secure coprocessor 21 verifies the digital signature of tax information database 23 (or portions of tax information database 23) prior to processing transactions to ensure that tax information database 23 has not been modified.

Tax data database 24 contains a log of all transactions processed by secure coprocessor 21. Each entry in this log is digitally signed by secure coprocessor 21 to ensure that any modification of a log entry is detectable. The log may also be encrypted to protect the privacy of the information (e.g., seller addresses and individual transactions) from computer operators and administrators (this might be particularly useful if a seller's e-commerce system has been outsourced and is being operated by a third party). However, the seller may desire to analyze or process the data contained in the log (e.g., to determine the most effective means of advertising in a given area based upon the total amount of business in that area). The system allows this type of processing, since any attempted modification of tax data database 24 is detectable using a combination of digital signature verification and data analysis (using the aggregate totals or other data stored in secure coprocessor 21 to determine if log entries have been deleted). It should also be noted that while a taxing jurisdiction may have the right to audit tax data in tax data database 24, there is no need to provide the taxing jurisdictions 17a, 17b,... 17n or CSP (Fig. 1) 14 with details of every transaction (as will hereinafter be described). As a result, meter 13 allows sellers to maintain control of their sensitive data.

## **VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL**

- A. Claims 36 – 41 43, 47 –48 and 50-61 have been rejected by the Examiner under 35 USC §101 for being directed to non-statutory subject matter.
- B. Claims 36-41, 43, 45-48 and 50-61 have been rejected by the Examiner under 35 USC § 103 (a) for being anticipated by Francisco (U.S. Patent No. 5,875,433).

## VII. ARGUMENTS

**A. Claims 36-41, 43 and 45 -61 have been rejected by the Examiner under 35 USC §101 for being directed to non-statutory subject matter.**

The Examiner is of the opinion that Applicant's phrase "utilizing a computer" in the preamble does not provide statutory claim language within the body of the claim language. Thus, it is non-statutory.

The United States Court of Appeals has held in the case of *Pitney Bowes Inc. vs. Hewlett-Packard Co.* 51 USPQ 2d 1161, 1165, 1166 the following:

"Although our initial discussion has focused on the preamble, as opposed to the remainder of the claim language, this does not undercut its significance. "[A] claim preamble has the import that the claim as a whole suggests for it." *Bell Communications Research, Inc. v. Vitalink Communications Corp.*, 55 F.3d 615, 620, 34 USPQ2d 1816, 1820 (Fed. Cir. 1995). If the claim preamble, when read in the context of the entire claim, recites limitations of the claim, or, if the claim preamble is "necessary to give life, meaning and vitality" to the claim, then the claim preamble should be construed as if in the balance of the claim. *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 480-81 (CCPA 1951); See also *Rowe v. Dror*, 112 F.3d 473, 478, 42 USPQ2d 1550, 1553 (Fed. Cir. 1997); *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.* 868 F.2d 1251, 7, 9 USPQ2d 1962, 1966 (Fed. Cir. 1989). Indeed, when discussing the "claim" in such a circumstance, there is no meaningful distinction to be drawn between the claim, preamble and the rest of your claim, for only together do they comprise the "claim". If, however, the body of the claim fully and intrinsically sets forth the complete invention, including all of its limitations, and the preamble offers no distinct definition of any of the claimed invention's limitations, but rather merely states, for example, the purpose of intended use of the invention, then the preamble is of no significance to claim construction because it cannot be said to constitute or explain a claim limitation. See *Rowe*, 112 F.3d at 478, 42 USPQ2d at 1553; *Corning Glass*, 868 F.2d at 1257, 9 USPQ2d at 1966; *Kropa*, 187 F.2d at 152, 88 USPQ at 480-81.

[1] here, the preamble is "necessary to give life, meaning, and vitality" to the claim. *Kropa*, 187 F.2d at 152, 88 USPQ at 480-81.

The preamble statement that the patent claims a method of or apparatus for “producing on a photoreceptor an image of generated shapes made up of spots” is not merely a statement describing the invention’s intended field of use. Instead, that statement is intimately meshed with the ensuing language in the claim. For example, both independent claims conclude with clause “whereby the appearance of smoothed edges are given to the generated shapes”. Because this is the first appearance in the claim body of the term “generated shapes”, the term can only be understood in the context of the preamble statement “ producing on a photoreceptor an image of generated shapes made up spots”. Similarly, the term “spots” is initially used in the preamble to refer to the elements that make up the image of generated shapes that are produced on the photoreceptor. The term “spots” then appears twice in each of the independent claims. That the claim term “spots” refers to the components that together make up the images of generated shapes on the photoreceptor is only discernible from the claim preamble. In such a case, it is essential that the court charged with the claim construction construe the preamble requires a two-step analytical approach. First, the claims of the parent must be construed to determine their scope. See *Carroll Touch, Inc. v. Electro Mechanical Sys., Inc.* 15 f.3d 1573, 1576, 27 USPQ2d 1836, 1839 (fed. Cir. 1993). Second, a determination must be made as to whether the properly construed claims read on the accused device.”

Hence, the phrase “utilizing a computer” in the preamble should be considered part of the claim. Thus, claims 36 – 41 43, 47 -48 and 50-61 are directed to statutory subject matter.

**B. Claims 36 – 41, 43 , 47 - 48 and 50 - 61 have been rejected by the Examiner under 35 U.S.C. §103(a) as being anticipated by Francisco (U.S. Patent No. 5,875,433).**

**a. Claims 36-41, 47 – 48 and 52-61.**

Francisco discloses the following in line 46, column 9 to line 39, column 10:

“FIG. 6 is block diagram/flow chart according to an embodiment of this invention wherein tax (e.g. “use tax”) on sales made over the Internet, catalog, world wide web, direct mail, etc. **216**, is automatically charged to the buyer or customer, and reported to the IRS and forwarded to the appropriate State Treasury based on the

location of the customer (i.e. where the goods are to be shipped). As shown in FIG. 6, when a buyer or customer wishes to purchase a product over the Internet **216**, for example, the buyer or consumer first uses communication link **216** (e.g. package switched digital data network) and makes the purchase at **201** (e.g. via direct mail, catalog order, Internet, etc.). After the consumer has made the purchase, the transaction (i.e. the purchase) is recorded on tax register **8** at the retailer location at **203**. Thereafter, tax register **8** calculates the sales tax or "use tax" based on the destination of the goods at **205**. For example, if the consumer or buyer is located in Virginia and the purchased goods are requested by the consumer to be shipped there from a New York retailer, tax register **8** at **205** calculates the Virginia use tax to be charged against the consumer's account or credit card. After this tax has been calculated at **205**, the consumer is given a receipt **7** via the Internet, direct mail, or simply by regular U.S. Mail **216**. After the tax has been calculated at **205**, the retailer ships the purchased goods to the consumer and initiates a credit card transaction at **207**, given the fact that the consumer has purchased the goods with a credit card. In step **207**, tax register **8** instructs the system and coordinates the credit card transaction via a modem which is in communication with the credit card company. Thus, the credit card company at **209** charges the credit card of the consumer with both the sales price and the tax (e.g. use tax or just sales tax if the goods are not being shipped out-of-state.)

Still referring to FIG. 6, after the credit card transaction has been completed, the amount of the sale is dispersed to the retailer at **211** via network **216** and tax register **8** reports the sales transaction to the State and/or IRS at **213**. While tax register **8** reports to the State and IRS, the credit card company disperses the tax funds charged the consumer to the State and/or IRS at **214** via network **216**. At **215**, the appropriate State Treasury (e.g. Virginia) receives the tax calculated in step **205** over the Internet, modem, etc. while at step **35**, the IRS receives the gross income summary form 1099 via network **216**. Network **216** may be the Internet throughout the entire FIG. 6 system or, alternatively, may be partially the Internet (packet switched network) and otherwise via the public switched telephone network (PSTN) or the like.

In a manner consistent with FIG. 6, appropriate State and Federal Government Agencies automatically receive their tax information, including use tax and sales tax dollars, when consumers purchase goods or products over the Internet, via catalog, direct mail, televised shopping clubs, etc. **216** where enforcement of "use tax" payment is otherwise difficult given conventional systems. In sum, the FIG. 6 system is an improvement over the prior art which will

permit governments to save large quantities of tax dollars, and will allow consumers and retailers to avoid costly tax preparation.”

In the invention disclosed by Francisco, after a credit card transaction for the purchase of goods has been completed, the amount of the sale is dispersed to the retailer at 211 via network 216, and tax register 8 reports the sales transaction to the state. In Francisco’s system, the identity of the retailer and the identity of the purchaser are known to the state.

Applicants claim in claim 36, and those claims dependent thereon, a different method than that disclosed by Francisco. Francisco does not disclose or anticipate accessing seller information for a taxing jurisdiction segmented by the agent for that jurisdiction with a unique identifier wherein the identity of the seller remains secret. In Applicants’ method, the identity of the seller is not known by the taxing jurisdiction.

The Examiner stated the following in paragraph 8 of page 3 of the March 18, 2005 Office Action:

“Francisco does not disclose the term segmented, having a unique identifier, keeping the identity of the seller secret, and analyzing the data and filing a tax return.

Official Notice is taken that each of these features has been well known common knowledge within the consulting art. To have provided such for Francisco would have been obvious to one of ordinary skill in the art. The motivation for doing such is to maintain confidential information with the ability to analyze such for tax revenue enhancement purposes.”

Applicants traverse the Examiner official Notice. Applicants submit that the consulting art is a non-analogous art. Furthermore, taxing jurisdictions do not receive seller information that has been segmented by an agent wherein the identity of the seller remains secret, and/or tax returns filed by an agent for the seller where the identity of the seller is secret.

Furthermore, typically known the identity of the seller when the taxing jurisdiction collects sales and/or uses taxes since the seller is the party who is legally obligated to pay the tax to the taxing jurisdiction.

Notwithstanding the foregoing, in rejecting a claim under 35 U.S.C. §103, the Examiner is charged with the initial burden for providing a factual basis to support the



obviousness conclusion. *In re Warner*, 379 F.2d 1011, 154 USPQ 173 (CCPA 1967); *in re Lunsford*, 375 F.2d 385, 148 USPQ 721 (CCPA 1966); *in re Freed*, 425 F.2d 785, 165 USPQ 570 (CCPA 1970). The Examiner is also required to explain how and why one having ordinary skill in the art would have been led to modify an applied reference and/or combine applied references to arrive at the claimed invention. *In re Ochiai*, 37 USPQ2d 1127 (Fed. Cir. 1995); *in re Deuel*, 51 F.3d 1552, 34 USPQ 1210 (Fed. Cir. 1995); *in re Fritch*, 972 F.2d 1260, 23 USPQ 1780 (Fed. Cir. 1992); *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 5 USPQ2d 1434 (Fed. Cir. 1988). In establishing the requisite motivation, it has been consistently held that both the suggestion and reasonable expectation of success must stem from the prior art itself, as a whole. *In re Ochiai*, supra; *in re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991); *in re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988); *in re Dow Chemical Co.*, 837 F.2d 469, 5 USPQ2d 1529 (Fed. Cir. 1988).

**b. Claim 43**

Claim 43 has the following step added to the method claimed in claim 36 wherein the buyer information segmented by the agent may be accessed by an unique identifier.

In addition to the arguments made hereinabove, the act of permitting the buyer information segmented by the agent to be accessed by an unique identifier is not disclosed or anticipated by Francisco.

**c. Claim 50**

Claim 50 has the following step added to the method claimed in claim 36 wherein the buyer information segmented by the agent may be accessed by an unique identifier.

In addition to the arguments made above Section B, the act of permitting the buyer information segmented by the agent to be accessed by an unique identifier is not disclosed or anticipated by Francisco.

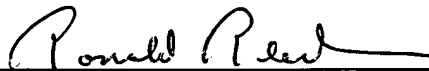
**d. Claim 51**

Claim 51 has the following step added to the method claimed in claim 36 wherein the taxing jurisdictions pay the agent for services rendered by the agent.

In addition to the arguments made above Section B, the act of permitting taxing jurisdictions pay the agent for services rendered by the agent is not disclosed or anticipated by Francisco.

Appellants respectfully submit that appealed claims 36 – 41 43, 47 -48 and 50-61 in this application are patentable. It is requested that the Board of Appeal overrule the Examiner and direct allowance of the rejected claims.

Respectfully submitted,



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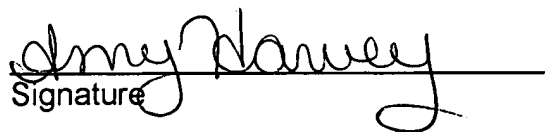
### **CERTIFICATE OF MAILING**

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## **VII. APPENDIX OF CLAIMS INVOLVED IN THE APPEAL**

36. A method utilizing a computer for collecting sales and/or use taxes on remote sales, said method includes the steps of:

- a) collecting by an agent seller's information regarding remote sales made by buyers;
- b) calculating the correct taxing jurisdiction's aggregate total sales and/or use tax to be paid by buyers to sellers for remote sales transactions;
- c) collecting by sellers from buyers the correct sales and/or use tax;
- d) collecting by an agent the correct sales and/or use tax received by sellers;
- and
- e) accessing seller information for a taxing jurisdiction segmented by the agent for that jurisdiction with a unique identifier wherein the identity of the seller remains secret; and
- (f) paying by an agent each taxing jurisdiction the taxes that are due.

37. The method claimed in claim 36, wherein buyers are given a receipt for the taxes they have paid.

38. The method claimed in claim 36, wherein the seller's sales are also segmented for each buyer.

39. The method claimed in claim 36, further including the step of:  
reporting to the taxing jurisdictions the taxes that have been collected.

40. The method claimed in claim 36, further including the step of:  
filing reports by the agent for sellers with the taxing jurisdictions for the taxes that have been collected.

41. The method claimed in claim 36, further including the step of:

filing tax returns by the agent for sellers with the taxing jurisdictions for the taxes that have been collected.

43. The method claimed in claim 36, wherein the buyer information segmented by the agent may be accessed by an unique identifier.

47. The method claimed in claim 46, wherein the agent reveals the identity of the seller if there is a suspicion of fraud based upon the segmented information.

48. The method claimed in claim 45, wherein a seller is given notice that a taxing jurisdiction is studying its segmented sales and/or use taxes collected.

50. The method claimed in claim 45, wherein a taxing jurisdiction may access the segmented sales and/or use taxes collected only after specified time period has passed.

51. The method claimed in claim 36, wherein the taxing jurisdictions pay the agent for services rendered by the agent.

52. The method claimed in claim 44, further including the step of: identifying potentially seller fraudulent behavior by running various checks of the segmented information.

53. The method claimed in claim 52, further including the step of: identifying a strange drop-off in the number of seller transactions in the segmented information.

54. The method claimed in claim 52, further including the step of: examining the history of seller transactions in the segmented account to determine seller trends.

55. The method claimed in claim 52, further including the step of:  
comparing the transaction volume, dollar volume and transaction types  
relative to other similar sellers.

56. The method claimed in claim 52, further including the step of:  
identifying an inordinate number of cancelled transactions in the segmented  
transactions.

57. The method claimed in claim 56, further including the step of:  
establishing watermarks for different types of businesses to identify an  
inordinate amount of returned merchandise for a particular type of business.

58. The method claimed in claim 52, further including the step of:  
notifying the taxing jurisdiction of the seller's potentially fraudulent behavior.

59. The method claimed in claim 52, further including the step of  
identifying patterns that indicate that a seller may not be reporting the entire  
amount of taxes collected.

60. The method claimed in claim 52, further including the step of:  
examining cancelled transactions.

61. The method claimed in claim 36, further including the step of:  
receiving responses from buyers indicating acceptance of the sale.

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Appeal Brief: May 17, 2006  
Attorney Docket: E-962

## **IX. EVIDENCE APPENDIX**

There is no additional evidence to submit.

## **X. RELATED PROCEEDING APPENDIX**

A. A copy of the Board of Appeals June 10, 2005, decision in U.S. Patent Application Serial No. 09/634,041 entitled "METHOD FOR COLLECTING SALES AND/OR USE TAXES THAT ARE MADE VIA THE INTERNET AND AND/OR CATALOG" follows in the next pages:

B. U.S. Patent Application Serial No.: 09/634,040 entitled "A METHOD FOR OBTAINING SECURE RECEIPTS FOR SALES AND/OR USE TAXES THAT ARE MADE VIA THE INTERNET AND/OR CATALOG" is currently being appealed to the Board of Appeals.



The opinion in support of the decision being entered today was not written for publication and is not binding precedent of the Board.

Paper No. 30



UNITED STATES PATENT AND TRADEMARK OFFICE

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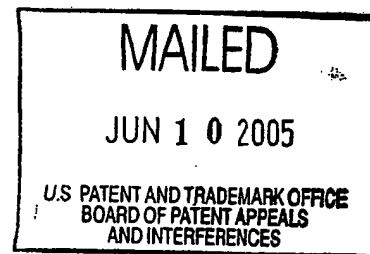
PIINEY BOWES  
INTELLECTUAL PROPERTY  
& TECHNOLOGY LAW DEPT.

BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

Ex parte FREDERICK W. RYAN Jr., MICHAEL W. WILSON,  
RONALD P. SANSONE, THERESA BIASI and VADIM STELMAN

**F-175**  
Appeal No. 2005-0667  
Application 09/634,041

ON BRIEF



*Amendment due 10 Aug 2005*

Before FRANKFORT, NASE, and NAPPI, Administrative Patent Judges.

FRANKFORT, Administrative Patent Judge.

DECISION ON APPEAL

This is a decision on appeal from the examiner's final rejection of claims 1 through 6 and 8 through 16. Claims 17 through 33 stand withdrawn from further consideration under 37 CFR § 1.142(b) as being directed to non-elected species. Regarding claim 7, the only other claim in the application,

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although the Index of Claims in the application file indicates that this claim has been canceled, we find no amendment of record which directs the cancellation of claim 7. Moreover, notwithstanding appellants' election of claims 1-16 for prosecution in the present application (see Paper No. 8, filed Oct. 10, 2001), the examiner has not once rejected or otherwise commented on the status of claim 7. Nor does the Notice of Appeal (Paper No. 13, filed March 27, 2002) include claim 7. Thus, although the exact status of claim 7 is not clear from the present record, what is clear is that it has not been rejected by the examiner and is not before us on appeal.

Appellants' invention relates to the collection of taxes for the sale and/or use of goods and/or services. As noted on page 3 of the specification, today, sellers are responsible for calculating taxes due based upon the location of the buyer, collecting taxes due from the buyer, accounting for taxes collected for the taxing jurisdiction, remitting taxes to the taxing jurisdiction for which they were collected, filing tax returns with each taxing jurisdiction for which taxes have been collected and supporting each taxing jurisdiction's audit of the buyer's records.

However, the specification goes on to note that there are currently approximately 6,000 jurisdictions in the United States collecting sales and/or use taxes, thereby making it an onerous task for sellers to perform the above-noted required sales and/or use tax administrative functions. Goals of appellants' invention are to better allow taxing jurisdictions to collect sales and/or use taxes on sales that are made via remote sales, i.e., via the Internet and/or catalogs, and to make it easier for sellers to comply with a taxing jurisdiction's mandated seller administrative functions. To that end, appellants' invention is directed to a method for calculating the correct taxing jurisdiction's sales and/or use taxes on sales including remote sales (catalog or Internet sales) and having the seller collect the correct taxes from the buyer, but then having a certified agent perform the remainder of the tax administrative functions of the seller for all taxing jurisdictions involved, thereby relieving the seller of as much of the burden of compliance as possible.

Looking to Figure 1 of the application for an understanding of appellants' invention, we note that when a buyer (11) makes a purchase from a seller (12), the seller transmits to a Certified Automated System (CAS) (13) the buyer location and details of the

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goods and/or services purchased, whereupon the CAS calculates the correct sales and/or use taxes due for the appropriate taxing jurisdiction and communicates that information to the seller to thereby allow collection of the taxes due. A Certified Service Provider (CSP) (14), certified by all participating taxing jurisdictions, communicates with the CAS to obtain aggregated tax records for participating sellers and with sellers' banks (15) to obtain the sales and/or use taxes collected by the sellers. The CSP (agent) then performs all of the tax administrative functions of the sellers for all taxing jurisdictions involved. More particularly, the CSP will set up tax record data bases (16a, 16b . . . 16n) for each seller (12) in each taxing jurisdiction, prepare documentation (e.g., tax returns) for each taxing jurisdiction, submit such documentation to the taxing jurisdictions, submit appropriate tax revenues to the jurisdictions, and support the taxing jurisdictions during any audit process.

As noted on page 7 of the specification, of importance to appellants is the need for restricting access to the information in the seller tax record data bases (16a, 16b . . . 16n). Thus, a seller's information in those data bases is to be stored under an alias or ID number which is not normally exposed to the taxing

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jurisdictions. While the taxing jurisdictions may conduct an audit using the alias or ID number, a seller's true identity would be disclosed "only if there were sufficient suspicion of fraud based upon audit data."

Independent claim 1 is representative of the subject matter on appeal, and reads as follows:

1. A method for collecting sales and/or use taxes on remote sales, said method includes the steps of:

- A) collecting information regarding remote sales made by buyers;
- B) calculating the correct taxing jurisdictions sales and/or use tax to be paid by buyers for remote sales;
- C) collecting by sellers from buyers the correct sales and/or use tax;
- D) collecting by an agent the correct sales and/or use tax received by sellers;
- E) segmenting by the agent, the seller's sales and/or use taxes and the information collected by the sellers for particular taxing jurisdictions into different data base, wherein the identity of the seller is not revealed to the taxing jurisdiction; and
- F) paying each taxing jurisdiction the taxes that are due.

The prior art references of record relied upon by the examiner as evidence of obviousness under 35 U.S.C. 103 are:

Longfield	5,193,057	Mar. 9, 1993
Chong	5,335,169	Aug. 2, 1994

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Francisco et al. (Francisco)	6,078,899	Jun. 20, 2000
Himmel et al. (Himmel)	6,321,256	Nov. 20, 2001
(filed May 15, 1998)		

State of North Carolina RFP #001185, "Pilot Program for Streamlined Sales Tax System," June 16, 2000 (RFP #001185)

Claims 1 through 5 and 8 through 16 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185 and Himmel.<sup>1</sup>

Claim 6 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185 and Himmel as applied above, and taken further in view of Longfield.<sup>2</sup>

Rather than reiterate the examiner's statement of the above-noted rejections and the conflicting viewpoints advanced by appellants and the examiner regarding those rejections, we refer

---

<sup>1</sup> We note that a copy of dependent claim 11 does not appear in the Appendix attached to appellants' corrected, substitute brief and that a correct version of this claim can be found in the original application papers filed August 8, 2000.

<sup>2</sup>As indicated in the advisory action mailed February 8, 2002 (Paper No. 12), the rejection of claims 1 through 5 and 8 through 16 under 35 U.S.C. § 112, second paragraph, set forth in the final rejection (Paper No. 9, page 2) has now been withdrawn.

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to the final rejection (Paper No. 9, mailed Dec. 19, 2001) and examiner's answer (Paper No. 26, mailed March 9, 2004) for the examiner's reasoning in support of the rejections and to the corrected substituted brief (Paper No. 23, filed July 29, 2003) for appellants' arguments to the contrary.

#### OPINION

Our evaluation of the issues raised in this appeal has included a careful assessment of appellants' specification and claims, the applied prior art references, and the respective positions advanced by appellants and the examiner. As a consequence of our review, we have made the determination that the evidence relied upon by the examiner is sufficient to support a conclusion of obviousness under 35 U.S.C. § 103 with respect to the method defined in appellants' claims 1 through 6 and 8 through 16 on appeal. Our reasoning in support of that determination follows.

Before turning to the examiner's rejections of appellants' claims based on prior art, we note that it is an essential prerequisite that the scope and content of the claimed subject matter be fully understood. Our reviewing Court has emphasized

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on numerous occasions that analysis of whether a claim is patentable over the prior art under 35 U.S.C. §§ 102 and 103 begins with a determination of the scope of the claim and that such interpretation begins with the language of the claim itself. The properly interpreted claim must then be compared with the prior art. See, e.g., SmithKline Diagnostics, Inc. v. Helena Laboratories Corp., 859 F.2d 878, 882, 8 USPQ2d 1468, 1472 (Fed. Cir. 1988).

Accordingly, we initially direct our attention to independent claim 1 on appeal to derive an understanding of the scope and content thereof. This claim is directed to a method for collecting sales and/or use taxes on remote sales and recites, *inter alia*, the steps of "D) collecting by an agent the correct sales and/or use tax received by sellers; E) segmenting by the agent, the seller's sales and/or use taxes and the information collected by the sellers for particular taxing jurisdictions into different data bases, wherein the identity of the seller is not revealed to the taxing jurisdiction; and F) paying each taxing jurisdiction the taxes that are due." In the brief (pages 14-15), appellants urge that a unique and unobvious aspect of the present invention is that an agent certified by the taxing jurisdictions who collects sales and/or use taxes on



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remote sales does not reveal to the taxing jurisdiction the identity of the seller, and that it is this aspect of the invention that is not taught or suggested by the applied prior art references to Chong, Francisco, RFP #001185, and Himmel. More particularly, appellants contend that the act of keeping the claimed seller, i.e., payee, anonymous to the taxing jurisdiction is new and unobvious.

Although it appears from the tenor of appellants' argument that the agent would never reveal the identity of the seller to the taxing jurisdiction, we again note that the specification (page 7) informs us that one of appellants' intentions is to restrict access to the information in the seller tax record data bases (16a, 16b . . . , 16n) created by the agent by having the seller's information in those data bases stored under an alias or ID number which is "not normally exposed to taxing jurisdictions". The specification goes on to note that the taxing jurisdictions may conduct an audit using a seller's alias or ID number, and indicates that a seller's true identity would be disclosed "only if there were sufficient suspicion of fraud based upon audit data." Thus, the specification clearly indicates that the agent may reveal the true identity of a seller to the taxing jurisdiction at some point in time.

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Moreover, we observe that in the particular situation before us on appeal the limitation regarding the identity of a seller not being revealed to the taxing jurisdiction is set forth in step (E) of claim 1, which addresses "segmenting by the agent, the seller's sales and/or use taxes and the information collected by the sellers for particular taxing jurisdictions into different data bases, wherein the identity of the seller is not revealed to the taxing jurisdiction." Thus, in our view, the limitation concerning seller anonymity is applicable only to step E) and is not limiting as to the agent otherwise revealing the identity of the seller to a taxing jurisdiction at some future time, such as, for example, at the time of paying the taxing jurisdiction the taxes that are due. It is with this view and interpretation of the claims in mind that we look to the examiner's rejections under 35 U.S.C. § 103(a).

Claims 1 through 5 and 8 through 16 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185 and Himmel. As the examiner points out in the answer (page 4) RFP #001185 addresses a streamlined sales tax system and method that is very similar to that defined in appellants' claims on appeal. More particularly, RFP #001185 (Appendix A) discloses a system wherein the states

assume a large share of the responsibility for sales tax administration by establishing joint certification standards for both a certified service provider (CSP) and a certified automated system (CAS), by designating qualified entities and systems as a CSP and a CAS, and by providing incentives for the use of a CSP or CAS. One of those incentives is that a retailer (seller) using the system is subject to reduced liability for any errors resulting from proper use of a CAS and also to a reduced audit scope. As noted on page 26, the system in RFP #001185 is particularly designed for retailers that make remote sales.

Model 2 in Appendix A of RFP #001185 (page 27) discusses a retailer's use of a certified automated system (CAS) and notes that under the system a retailer may select a CAS to perform one part of the retailer's sales tax administration function, i.e., that of determining the amount of tax due on a particular transaction. More specifically, the CAS will determine whether an item is taxable in the appropriate taxing jurisdiction, at what rate, and whether the purchaser is exempt from tax, and subsequently communicate that information to the retailer. To that end, the retailer using the disclosed system establishes an interface with the CAS, and then relies on the CAS to calculate the tax due. The retailer is responsible for collecting the

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appropriate tax from the purchaser and is liable for the tax due. Under Model 1 of RFP #001185 (page 25), a retailer selects a certified service provider (CSP) as an agent to perform all of the retailer's sales tax functions. The agent, who is compensated by the taxing jurisdiction, then determines the amount of tax due, pays the taxes to the states or other taxing jurisdictions, files returns with the necessary taxing jurisdictions using a CAS, and maintains a record of the transactions.

Chong discloses a computerized system and method for tracking multiple types of sales tax assessments for different taxing authorities on different types of sales transactions with customers. The system is designed particularly for companies operating in national or global markets that frequently conduct sales transactions in a number of taxing jurisdictions and/or are subject to a number of taxing authorities within the same or different jurisdictions. Chong notes that such companies often sell different types of goods or services to different types of customers that may be taxable at different rates, and that the companies are thus required to collect many different types and percentages of sales or excise taxes, and to report their sales transactions and collected taxes to each applicable taxing

jurisdiction or authority. An objective of the system in Chong is to automatically track the appropriate sales tax rates, the sales types, and proper taxing jurisdiction for the user (seller) for each given transaction and to determine the amount of tax due on a particular transaction. Figure 3 of Chong shows a logic diagram of the steps for entering a sales transaction. The system also includes a sales tax reporting module for sorting the sales records by taxing authority, tax types, and sales types, and for creating a sales tax report for each taxing authority showing total sales amounts and sales tax amounts for each of the sales types. Figure 4 of Chong shows a logic diagram of the steps for sorting and generating a sales tax report.

Francisco discloses a point of sale tax reporting and automatic collection system and method that automatically reports all retailer transactions and sales tax collected by retailers from customers to local and federal government authorities and then automatically collects the sales tax amounts from retailer accounts so as to prevent retailers from avoiding the payment of collected sales taxes to the appropriate taxing jurisdictions. In column 2, lines 33-47, Francisco discusses the system of Chong and notes that while it enables the user to keep track of appropriate sales tax rates, sales types, etc., the system does

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not act to ensure that all retailer transactions and sales tax collected thereon are reported and forwarded to the appropriate authorities. The automatic system and method of Francisco seeks to correct that problem by having an automated agent or "first computer and first memory" (13, 19) collect and save transaction and sales tax data at a remote location from the retailer and periodically (e.g., daily) access and debit an account of the retailer, with the amount debited corresponding to the amount of sales tax paid to the retailer by consumers.

Himmel discloses a method and apparatus for detecting, storing and retrieving information, including duration of view time, concerning advertisements included with Web pages seen by a particular user, and thereafter using the stored information in controlling access of that user to subsequent Web pages and/or to dynamically alter the content of subsequently requested Web pages to reflect the user preferences indicated.

From the examiner's perspective, the collective teachings of Chong, RFP #001185, Francisco and Himmel would have been suggestive to one of ordinary skill in the art at the time of appellants' invention of a method for collecting sales and/or use taxes on remote sales like that claimed by appellants. More

particularly, the examiner urges (answer, pages 7-9) that Chong discloses a method for collecting sales taxes on remote sales including the steps of collecting information regarding remote sales made by buyers, calculating the correct taxing jurisdictions sales and/or use taxes to be paid by the buyers for the remote sales and collecting by sellers from buyers of the correct sales and/or use tax. Chong also discloses segmenting of the seller's sales taxes and the information collected by the sellers for particular taxing jurisdictions into different data bases (Fig. 4) and subsequently paying each taxing jurisdiction the taxes that are due. What Chong lacks is any teaching or suggestion of an agent or certified service provider (CSP) for collecting the correct sales taxes from the seller/retailer and performing the retailer's further sales tax functions, such as the segmenting of information by taxing jurisdictions, payment of the taxes to the states or other taxing jurisdictions, filing tax returns with the necessary taxing jurisdictions, and maintaining a record of the transactions.

However, we agree with the examiner that the combined teachings of Chong, Appendix A of RFP #001185 and Francisco would have been generally suggestive to one of ordinary skill in the art at the time of appellants' invention of having an agent or

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is clear to us that when an agent or CSP acts for a retailer like that in Chong by the agent collecting the taxes received by the retailer and performing the segmenting of information by taxing jurisdictions, the payment of taxes to the taxing jurisdictions, and the filing of tax returns with the necessary taxing jurisdictions, as suggested by the combined teachings of Chong, RFP #001185 and Francisco, that during the segmenting step the information concerning seller identity is entirely under the purview and control of the agent/CSP and is not at that point in time revealed to the taxing jurisdictions. Thus, the method as broadly set forth in claim 1 on appeal would have been obvious to one of ordinary skill in the art at the time of appellants' invention based on the collective teachings and suggestions of the applied prior art.

We emphasize again that the claims before us on appeal only require the agent to maintain the identity of the seller secret at a particular time during the process (i.e., during the segmenting step) and not, as appellants seem to believe, that the agent must refrain from revealing the identity of a seller to a taxing jurisdiction at all times, and especially at the time of reporting and paying the taxing jurisdiction the taxes that are due and/or during any subsequent audit procedure.



As for the Himmel patent relied upon by the examiner for a general teaching/suggestion regarding the practice of restricting access to files in the environment of the Internet, we find the examiner's reliance on this patent to be unnecessary and treat it as mere surplusage.

In light of the foregoing, the examiner's rejection of independent claim 1 under 35 U.S.C. § 103(a) is sustained.

Concerning dependent claims 2 through 5 and 8 through 16, we observe that appellants have indicated in Grouping (A) on page 11 of their corrected, substituted brief that these claims "stand or fall together with regards to the rejection under 35 U.S.C. § 103(a)." However, appellants then go on to set forth other groupings (B) through (F) of the claims on appeal and to present arguments on pages 16-19 of the corrected, substituted brief addressing certain of those claims. After due consideration, and based on appellants' groupings, we conclude that claims 2 through 4, 10, 11 and 15 will fall with claim 1, from which they depend, since appellants have not presented any separate argument addressing the patentability of those claims. As for claims 5, 6, 8, 9, 12, 13, 14 and 16, we will respond to the arguments presented by appellants.

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Concerning claims 5 and 6, we find that the combined teachings of Chong, Appendix A of RFP #001185 and Francisco would have been suggestive of an agent or CSP filing reports (e.g., tax returns) with the taxing jurisdictions. Note particularly, the disclosure in Appendix A of RFP #001185 on pages 25 and 26, where it is specifically noted that the CSP will file tax returns for the taxes due. Note also that appellants concede on page 16 of their corrected, substituted brief that Longfield discloses the filing of tax returns by an agent. Thus, appellants' argument, which appears to rely heavily on the limitation in claim 1 concerning seller identity not being revealed to the taxing jurisdiction, is not persuasive. Therefore, the examiner's rejection of claim 5 based on the collective teachings of Chong, Appendix A of RFP #001185 and Francisco, and that of claim 6 based on the collective teachings of Chong, Appendix A of RFP #001185, Francisco and Longfield will be sustained.

Regarding claims 8 and 9, they respectively set forth that buyer (claim 8) and seller (claim 9) information segmented by the agent in claim 1 "may be accessed by an identification number." Like the examiner, we note that Chong involves a system and method wherein information regarding a particular customer or buyer is indexed to a customer identification number or code and

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examiner's rejection of claim 12 under 35 U.S.C. § 103(a) will be sustained.

Claim 13 addresses the step of "notifying a seller that a taxing jurisdiction is studying its segmented sales and/or use taxes collected," while claim 14 sets forth a limitation that the seller will be able to review the segmented sales and/or use taxes collected before the taxing jurisdiction studies the sellers segmented sales and/or use taxes collected. In this instance, we note that it is conventional for a taxing jurisdiction to notify a retailer/seller of an impending audit and, as indicated in the Background portion of appellants' own specification (page 3), to send a representative of the taxing jurisdiction to visit the retailer. Thus, we view the broadly recited notice limitation of claim 13 as being obvious to one of ordinary skill in the art at the time of appellants' invention. As for the ability of the seller to review the segmented sales and/or use taxes collected before the taxing jurisdiction studies the sellers segmented sales and/or use taxes collected, we direct attention to the sales tax report noted in Chong (col. 6, lines 30-68) and the verifying computer (41) of Francisco, both of which would allow a seller to review the segmented sales and/or use taxes collected at any time in the process, and especially

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before the taxing jurisdiction studies the sellers segmented sales and/or use taxes collected. Thus, the examiner's rejection of claims 13 and 14 under 35 U.S.C. § 103(a) will be sustained.

Claim 16 adds to claim 1 the requirement that the taxing jurisdictions pay the agent for services rendered. This limitation is expressly addressed in Appendix A of RFP #001185 (page 25) wherein it is noted that the agent/CSP will be compensated by the states (taxing jurisdictions) on a per transaction basis, a percentage basis, or some combination of those methods. Thus, the examiner's rejection of claim 16 under 35 U.S.C. § 103(a) will be sustained.

In light of the foregoing, the examiner's decision rejecting claims 1 through 5 and 8 through 16 under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185 and Himmel, and rejecting claim 6 under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185, Himmel and Longfield is affirmed.

However, since our rationale for sustaining the above-noted rejections on appeal is somewhat different than that set forth by the examiner, especially with regard to the limited

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interpretation of claim 1 and a more in-depth discussion of many of the dependent claims, we denominate our affirmance as constituting new grounds of rejection under 37 CFR § 41.50(b).

This decision contains a new ground of rejection pursuant to 37 CFR § 41.50(b) (effective September 13, 2004, 69 Fed. Reg. 49960 (August 12, 2004), 1286 Off. Gaz. Pat. Office 21 (September 7, 2004)). 37 CFR § 41.50(b) provides "[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review."

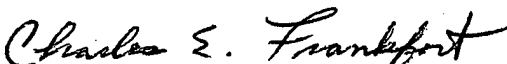
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37 CFR § 41.50(b) also provides that the appellant, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

(1) *Reopen prosecution.* Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the examiner. . . .

(2) *Request rehearing.* Request that the proceeding be reheard under § 41.52 by the Board upon the same record. . . .

AFFIRMED, 37 CFR § 41.50(b)

  
CHARLES E. FRANKFORT  
Administrative Patent Judge )  
)  
)

  
JEFFREY V. NASE  
Administrative Patent Judge )  
)  
)

  
ROBERT E. NAPPI  
Administrative Patent Judge )  
)  
)

BOARD OF PATENT  
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Appeal No. 2005-0667  
Application 09/634,041

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